Carbon Conscious Banking

Environmental trends & business opportunities in Digital Banking
Global concern about climate change is rising. Consumers increasingly want to understand the impact they have on the environment, take action and make meaningful change.

Through digital banking solutions, banks have a real opportunity to serve these tangible demands of the carbon conscious consumer. They are in the perfect position to take the lead on making an impact in the fight to protect our planet, as they build a customer journey around carbon footprinting and green financial products.

The benefits to banks catering to this customer base are clear: increased customer loyalty and digital engagement; and up-sales of green financial products.

Good for the planet, good for business
A decade ago, any mention of environmentalists or climate change activists would have conjured up images of hemp necklaces and protestors chained to trees. Those days are long gone. The issue of climate change is at the forefront of politics, embedded in pop culture, the media and in our homes. What was once a fringe movement is now mainstream.
Enter the Carbon Conscious Consumer

Widely adopted environmental actions to reduce one’s carbon footprint – such as recycling, shopping locally and ‘Meat Free Mondays’ – makes it evident that there is an ever-growing customer segment who put environmental concerns at the centre of their life choices and purchase decisions. More than half of EU consumers (57%) base purchasing decisions on environmental concerns.* Some two-thirds (66%) are willing to pay more for sustainable brands.**

However, most of these environmentally friendly actions have an ambiguous impact in terms of the good they do. Other than having the satisfaction that they are “doing the right thing”, most people lack the tools to quantify, understand and measure the impact of their actions.

* UNDP/ University of Oxford People's Climate Vote/ World’s largest survey of public opinion on climate change: a majority of people call for wide-ranging action | UNDP
** The Sustainability Imperative – Nielsen

Climate change and Covid-19

Far from diverting attention away from the issue of climate change, the Covid-19 pandemic has heightened global anxiety by serving as a stark reminder of the fragility of Planet Earth. **Climate change has become the number one concern.**

64% of people in 50 countries now believe climate change is a global emergency.*

70% of people in 14 countries say climate change is a major threat to their country.**

The number of people who believe climate change is a major threat has risen 29% since 2013 in France and 23% in the UK.**

* UNDP/ University of Oxford People’s Climate Vote/ World’s largest survey of public opinion on climate change: a majority of people call for wide-ranging action | UNDP
** Pew Research Center/ 7 in 10 across 14 countries see climate change, disease as major threat | Pew Research Center
What do carbon conscious consumers want?

As carbon consciousness makes its way mainstream, consumer demand is skyrocketing for new tools to understand and address the environmental challenges we are facing.

Carbon Conscious Consumers want:

1. Awareness
   
   To understand their impact on the environment. This involves measuring their everyday activities and purchases through the use of a carbon footprint calculator.

2. Action
   
   A way to take action to reduce their impact. This includes tools to change their behaviour, buy green products, and offset their carbon footprint.

Consumers want their banks to take action

- Of consumers would like their bank to provide them with an overview of their carbon footprint.*
- Of consumers want their bank to help them offset their carbon footprint.*
- Of consumers are interested in green financial products.*

* Meniga Global Consumer Survey 2021
What is a carbon footprint?

‘Carbon footprinting’ has become a modern-day buzzword, but what does it actually mean?

An individual’s carbon footprint is an estimation of the total greenhouse gases emitted by the activities they undertake, and the products they buy and consume.

It is not an exact science, no matter how deep you dig into an individual’s consumption habits. Nor is there a single standard for calculating carbon footprints (although recognized methodologies are slowly emerging).

The average carbon footprint of an EU citizen in 2019 was 6.7 tonnes.*

The main objective of carbon footprint calculators is to create awareness and motivate positive action.

It is important to strike a balance between accuracy and usability. Some carbon calculators are too simplistic to be meaningful, while others are too complex to be practical.

The best way to strike this balance is to first recognize that our footprints are dominated by a few areas, such as food, travel, energy and transportation, and then focus on obtaining accurate measurements of these.

So, how can banks provide a better way forward for the carbon conscious consumer?

* Eurostat 2018/Greenhouse gas emission statistics – carbon footprints
The opportunity for banks

Banks have a real and present opportunity to provide the ideal solution for the carbon conscious consumer.

As custodians of personal financial data, banks are in a unique position to build a compelling digital journey for their customers, encompassing carbon footprinting, green financial products, and offsetting services.

88% of bankers across Europe think banks should play an important role in increasing awareness of the impact of consumption on climate change – Meniga’s Global Sustainable Banking Survey 2021

By integrating carbon footprinting and carbon profiling into the everyday banking experience, banks can make a huge contribution to the mainstreaming of carbon awareness.

By incorporating carbon offsetting and other green initiatives and products in their digital banking provision, banks can also help their customers transition from awareness to action.
Customers’ digital journey:

Awareness of climate change

Why invest in carbon footprinting services?

There are many online carbon calculators with attractive interfaces and smart graphics that enable users to estimate their footprint. However, they require the laborious task of constantly having to manually input information, and few people are motivated to take action in this way. In the end, these carbon calculators are static, and lack a solid data foundation.

Insight through measurement of personal carbon footprint and advice

Action through reduction of carbon footprint/green financial products/offsetting schemes

Resulting in huge positive environmental impact

Delivering benefits to banks – greater loyalty, engagement and upsales

The potential positive environmental impact is huge. Imagine if just one-third of the banking population tracked their footprints and banks helped them reduce it by an average of 20%? Or convinced half of them to offset their consumption by supporting environmental projects in the developing world? That would represent a huge carbon saving.

Integrating such services is not only the responsible thing to do, but is also a tremendous business opportunity. Banks gain clear benefits, including building customer loyalty, deepening digital engagement, and driving financial product up-sales.

Your carbon footprint this month is 800 kg CO₂e

It takes 40 trees one year to absorb 800 kg of CO₂e

Footprint in category

- Cars & Transportation
- Travel
- Home & Heating
- Food
- Other

Carbon Conscious Banking
By introducing carbon footprinting services, your bank can:

- **Serve a clear customer demand**: There is a fast-growing need in the market for this service – and banks are well positioned to drive positive change.

- **Increase high-quality digital engagement**: Give customers a new and valid reason to log in and engage with your digital channels.

- **Grow sales of green products**: Build digital customer journeys from carbon footprint to eco-friendly financial products.

- **Strengthen brand and build long-lasting loyalty**: Take a stand on climate issues and make ESG a business imperative. This is an opportunity to join forces with your customers and send a strong signal about sustainability concerns.

- **Be at the forefront of a growing movement**: An increasing number of banks are offering carbon footprinting services with Meniga.

By integrating carbon calculation into their services, banks can transform what is currently obtainable only through cumbersome calculators into an easy-to-access solution.

Moreover, with services like Meniga’s Carbon Insight, these estimates follow internationally recognized data and standards.

Customers gain a real-time estimate which they can track over time. This raises awareness of their environmental impact, and points them towards ways they can improve, for instance through green banking products.

**Bankers are ready to act:**

- **85%** believe that helping customers track their carbon footprint will increase engagement.*

- **87%** think it will increase loyalty.*

- **89%** believe that green financial products will be a high-growth category in retail banking in the future.*

- **82%** say it’s a priority for their bank to enable carbon offsetting for customers.*

* Meniga’s Global Sustainable Banking Survey 2021
The growth of ESG

Carbon footprinting services should be an integral part of a bank’s Corporate Social Responsibility (CSR) goals. The rise of Environmental, Social and Governance (ESG) investments and green banking products in recent years is a clear indication that climate change is no longer solely the concern of activists.

87% of bankers say that Corporate Social Responsibility (CSR) should be a priority for their bank.*

According to PwC, the shift is driven not only by climate concerns, but also by evidence that ESG risk management boosts returns, and by forthcoming EU green finance rules.

In comparison, North America holds 20.9% of global ESG assets.**

Europe dominates the global ESG landscape. The region’s 4,741 ESG mutual funds hold 69.4% of global ESG assets.**

ESG assets in Europe are expected to rise from €1.7trn in 2019 to between €5.5trn and €7.6trn by 2025.**

* Meniga’s Global Sustainable Banking Survey 2021
** 2022 - The growth opportunity of the century (pwc.lu)
Businesses of all stripes increasingly recognise the changing consumer preferences and new climate policies are creating the greatest commercial opportunity of our time.

Mark Carney
UN climate envoy and former Bank of England governor, November 2020

In early 2021, one of Iceland’s largest banks, Íslandsbanki, partnered with Meniga to launch Carbon Insight, a green banking product that enables customers to track their carbon footprint within their digital bank.

The solution has been incredibly well received as it provides customers with the following 3 key attributes:

**Overview**
An estimate of their overall carbon footprint based on their spending profile, broken down into spending categories and time periods.

**Meaning**
A broad understanding of the specific aspects of their spending that are the most detrimental to the environment.

**Insight**
The necessary information and knowledge to alter their spending behaviour in ways that will boost their personal savings and help save the planet.

### Green retail banking products

Carbon footprinting services must be integrated seamlessly into digital banking. They should form a key part of the customer journey, which includes the opportunity to progress to other green banking products.

According to Meniga’s Global Sustainable Banking Survey 2021, 89% believe that green financial products will be a high-growth category in retail banking in the future. Many major banks already offer a variety of sustainable products to individuals.
Additionally, there are smaller ‘ethical banks’ who adhere to stated investment principles for all of their work. These include Triodos, headquartered in the Netherlands and operating in five European countries; the Banca Etica Group in Italy; and the GLS Bank in Germany. Challenger banks such as Starling in the UK also promise customers a more ethical banking experience.

Sustainable credit cards:
Some financial institutions, e.g. Mastercard and Visa, offer credit and debit cards made from renewable materials or upcycled plastics. These replace the non-biodegradable plastics that are traditionally used for bank cards.

Green savings and bonds:
These allow individuals to invest in projects with a focus on environmental or social issues. Islandsbanki and Swedbank are just two of the providers.

Paperless statements:
Many banks have eschewed paper statements in favor of online statements. Commerzbank in Germany uses the savings it makes on paper and printing to fund a mountain forestation project.

Green home modernization loans:
These allow individuals to invest in projects with a focus on environmental or social issues. Islandsbanki and Swedbank are just two of the providers.

Green mortgages:
These are available for people purchasing homes with an energy-efficiency rating of A or B. Banks offering these include UniCredit in Italy.

Green car loans:
Customers are offered lowered interest rates for purchases of electric or low-emission vehicles. Nordea Bank is one provider, offering these loans in Denmark and Sweden.

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Meniga Carbon Insight is a white-label solution that makes it simple and cost-effective for banks to embark upon the journey of empowering their customers to act on climate change, thus driving engagement and loyalty.

It is an API-based toolkit to facilitate mainstream personal carbon footprint awareness via digital banking through a seamless and easy-to-use service.

The service calculates customers’ carbon footprints based on their spending patterns and empowers them to act via internationally recognized offsetting programs.

Integrated with your bank’s other digital channels, it enables your customers to progress to other green products such as mortgages or car loans.
Meniga Carbon Insight: Enhancing customer understanding

Meniga Carbon Insight does more than just calculate the footprint of each transaction. It offers customers a rich user experience around understanding and improving their footprints.

- Analyze their footprint over different time periods.
- Benchmark their footprints against those of other users.
- Explore actionable advice on how to reduce their carbon footprint across categories.
- Improve the accuracy of the footprint with user input.
- Challenge themselves to adjust their consumption patterns to reduce their footprints and save money at the same time.
Meniga Carbon Insight: **How it works**

Meniga Carbon Insight empowers banks to help customers offset their carbon footprints, by providing the best estimate of their transaction footprints. It draws data from our Carbon Index, which is localised for each country and adjusts to your bank’s category tree.

• After a purchase, the product automatically uses several factors like transaction amount, spending category, and more to estimate the carbon footprint.

• Customer input along with demographic data and other external features are used to increase the accuracy of the estimate.

• Meniga Carbon Index is based on publicly available databases and the latest in environmental science.

• The system makes adjustments for airline flights, public transportation and other such expenses to maintain a reliable carbon footprint calculation.

• Meniga works with a number of scientific advisors for guidance on the evolution of the Index.

• Meniga’s Environmental Advisory Board oversees the Index. Our board members include representatives from the United Nations Framework Convention on Climate Change (UNFCCC), World Resource Institute, University of Iceland, and Accountancy Europe.

Meniga Carbon Insight: **Carbon Offset Platform**

Meniga collaborates with the UNFCCC, which certifies projects in developing countries that reduce, avoid or remove greenhouse gas emissions from the atmosphere. Other offsetting programs can be integrated if required.

UNFCCC projects are rewarded with Certified Emission Reductions (CER) measured in tonnes of CO₂ equivalent. People can offset their emissions by purchasing CERs.

Source: [https://offset.climateneutralnow.org/](https://offset.climateneutralnow.org/)

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Clean cook stoves in sub-Saharan Africa

Wind power generation in India

Hydroelectricity generation in Brazil

Bus rapid transit in China

Rice husk biomass power in Cambodia
Conclusion

Climate change has become an everyday concern and people want convenient but impactful solutions to help protect the planet.

Banks are well positioned to offer support for carbon conscious consumers, both by enabling them to understand their carbon footprint, and by offering them solutions to reduce it.

**Clear demand:**

Customers are increasingly concerned about their environmental impact, and turning to their banks for answers. Banks that do not meet this demand risk being left behind.

**Clear benefits for banks:**

Carbon footprinting and offsetting services drive digital engagement, deepen customer loyalty, and facilitate the upselling of green banking products.

**Implements the digital banking experience:**

By seamlessly integrating carbon footprinting services with their digital provision, banks can enhance their offer to customers.

**Easy for customers to use:**

Customers gain the opportunity to view their carbon footprint without having to input excessive data.

**Helps banks fulfil ESG/CSR commitments:**

These have expanded rapidly in recent years, and are forecast to grow further.

**Driving positive change:**

By using bank carbon footprint services, customers can learn about their environmental impact, change their behavior, purchase your bank’s green products, or offset their carbon emissions.
Helping banks use data to drive **customer engagement** and develop new revenue streams

- 165 Banks
- 30 Countries
- 100M Digital Banking Users

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